

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
CALIFORNIA RECYCLE UNDERUTILIZED SITES REMEDIATION PROGRAM
Meeting Date: November 19, 2008
Request Infill Loan Approval**

Prepared by: *Margot Lederer Prado, City of Oakland, CA and Sherri Kay Wahl, CPCFA*

Applicant: 1614 Campbell LLC	Type of Funding Requested: Loan
Developer: Madison Park Financial Corporation	Amount Requested: \$338,970
Project Name: Lampworks Lofts	Strategic Partner: City of Oakland
Project Location: Oakland (Alameda County)	

Summary. 1614 Campbell LLC requests approval of a loan in the amount not to exceed \$338,970 to finance the remediation of a brownfield site located at 1614 Campbell Street in West Oakland. This is a historical rehabilitation of a former 121,000 square foot commercial building and will be an adaptive reuse from industrial use to 92 live-work and residential for-lease units.

Applicant. The Partnership for the development of Lampworks Lofts is John Protopappas and Madison Park Financial Corporation (MPF). John Protopappas formed MPF, a California Corporation, in 1985 to create value through the development and management of real estate. MPF is a real estate developer, investor, operator, asset manager and manages several investment funds. Altogether, MPF and its related entities own and manage over \$250 million in assets. Other historic conversion projects MPF has successfully conducted include the historic Tribune Tower (office conversion), the Sear Roebuck store in Oakland (mixed-use retail, office and residential lofts), and the Bakery Lofts (live-work lofts) located on the Emeryville-Oakland border.

The principal stockholders of the 1614 Campbell LLC is John Protopappas, President/CEO Madison Park Financial (100%).

Legal Questionnaire. The Strategic Partner has reviewed the Applicant’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

Brownfield Project Description. This structure, originally built in the early 1900’s, formerly housed Mazda Lamp, General Electric light bulb factory, and Reliance Upholstery Company. Contaminants of concern for this 1.4 acre site originate from a former underground storage tank, as well as above ground asbestos and lead in the structure which must be removed prior to rehabilitation as a residential use.

Description of Activity	Amount Financed by Infill Loan
Removal of contaminated soil per the DTSC-approved Remedial Action Work Plan	\$ 88,970
Removal and disposal of asbestos and lead from structure	<u>250,000</u>
TOTAL ESTIMATED COST	<u>\$338,970</u>

Oversight Agency. Department of Toxic Control Substances (DTCS) and the City of Oakland Fire Department.

Infill Development Project Description. This is a historic adaptive reuse of a 100-year old commercial structure in one of Oakland’s oldest inhabited neighborhoods. The development project with rehabilitate a historical former 121,000 square foot commercial building from industrial use to 92 live-work and residential for-lease units. These rental units are being developed at market rate, however, the current projections for rents will be at or below the median rental rates within the City of Oakland.

The project is in both a Redevelopment District and an Enterprise Zone, within the Prescott Neighborhood of West Oakland, itself a local historical district, known as Oakland Point. The Prescott Neighborhood is one of the lowest income neighborhoods in Oakland, with unemployment rates averaging 18-20% unemployment and low per-capita incomes. The area suffers from a lack of retail and service amenities, and lacks a single grocery store, bank, hardware store and many other services. The infusion of new market rate units is necessary as a complement to the many units of subsidized, low-income units in the area, in order to provide a consumer market to attract retailers to the area to serve the entire population.

Permits. The project received unanimous approval from the Oakland Planning Commission and the Oakland City Council, including a Conditional Use Permit and Design Review. The area is zoned as Housing & Business Mix (HBX) area, allowing medium-density residential development. Drawings for Demolition, Building, and Grading Permits are ready to be submitted. As part of the Design Review approval a Notice of Exemption (NOE) was granted certifying that the project has been found to be exempt from CEQA review.

Anticipated Timeline.

- Cleanup Began: Site cleanup-Fall 2008; Structure contaminant removal Spring 2009.
- Cleanup to be Completed: End of 2009.
- Development to Begin: 2009.
- Development to be Completed: 2010.

Local Government Support. The Deputy Director/ Interim Planning Director, Oakland Community & Economic Development Agency, provided a letter of support for this project (Attachment A). The project received unanimous support from the Planning Commission, the West Oakland Redevelopment Project Area Committee and the West Oakland Commerce Association.

Letters of support have been received fro the project including:

Government Official Support.

- Eric Agstadt, Interim Deputy Director, Community & Economic Development Agency (A-1)

Application Score. The project earned a score of **90** out of **120** points in the following categories (25 points were deducted due to the fact that the Project is proposed as market rate. Once constructed, the units are expected to be priced at moderate rental levels, relative to the rental median price for studios and one bedroom units. Otherwise, the project earned a perfect score as a qualified project, ready for remediation, and located in an infill area of Oakland).

(a) Readiness to Proceed. TOTAL - 35/40.

- (1) Applicant has demonstrated that environmental review can be completed and all necessary entitlements can be received from the local jurisdiction within two years of receiving the award—10/10.** Design Review and the Conditional Use Permit have already been approved. Drawings for Demolition, Building, & Grading Permits are fully prepared and ready to be submitted. If this loan for remediation is approved, this project is ready to proceed immediately. It should take no longer than three months to obtain all Building Permits. As part of the Design Review approval (see Exhibit 29), a Notice of Exemption (NOE) was granted certifying that the project has been found to be exempt from CEQA review.
- (2) Funding commitments are in place, or financing applications are under review, for the Infill Development Project—10/10.** Commitments received to date include Jack London Equity Partners (\$2,835,000), Madison Park Investors (\$487,631), Madison Park Financial (\$135,000), and SHPO Historic Tax Credits (\$3,819,873 under review) for a total of \$7,227,504.
- (3) The Infill Development Project has local community and government support - 10/10.** This project has unanimous support from the local community as well as Planning Commission and City Council. It is in an area designated for medium density housing and is proposed at 70 density units/acre.
- (4) Cleanup Plan has been approved by Oversight Agency—5/5.** The Remedial Action Plan for the removal of contaminants in the soil has been approved by DTSC, and a work plan for the asbestos and lead is approved by City of Oakland Fire Department.
- (5) Applicant has building permits, and all other governmental permits (i.e. encroachment, ROW, etc.)—0/5.**

(b) Location within an Economically Distressed Community. TOTAL - 30/30. Oakland is defined as an economically distressed community. The project is within the City of Oakland West Oakland Redevelopment Area, and is within the State Enterprise Zone.

(c) Location within a Priority Development of a Local Governmental Entity. TOTAL - 10/10. The City of Oakland recently submitted a request for Priority Development Area designation for a large portion of its infill urban area, and the Prescott Neighborhood of West Oakland is within Oakland’s approved PDA area.

(d) Depth of Affordability. TOTAL - 0/10. These rental units are being developed at market rate, however, the current projections for rents will be at or below the median rental rates within the City of Oakland.

- (e) **Percentage of Affordability.** TOTAL - 0/15. See (d) above.
- (f) **Utilization of Green Building Methods** TOTAL - 5/5 The project is an adaptive reuse of an historically designated structure and achieves 88 GreenPoints.
- (g) **Cleanup Plan for the Brownfield Infill Project does not require Ongoing Operation and Maintenance.** TOTAL - 10/10.

Tie-Breaker.

- (a) Total Brownfield Infill Project Cleanup Plan Cost: \$338,970
- (b) Total no. residential housing units produced and/or promoted by Infill Development Project: 92 units.
- (c) Tie-breaker ratio [(a) / (b)]: \$3,685/housing unit.

Financing Details.

- Expected Interest Rate on Loan: 3.53% or lower, but not less than two percent (2%). Interest fixed at the time of the execution of the Loan Agreement.
- Amount of Overall Financing to be leveraged: \$7,227,504.
- Sources of Financing for Brownfield Infill Project: CALReUSE Loan.
- Sources of Financing for Infill Development Project: Jack London Equity Partners Madison Park Investors, Madison Park Financial, and State Historic Preservation Office Historic Tax Credits.

Staff Recommendation. Staff recommends approval of the attached Resolution for 1614 Campbell LLC for an amount not to exceed \$338,970.

**A RESOLUTION OF THE CALIFORNIA POLLUTION CONTROL FINANCING
AUTHORITY APPROVING EXECUTION AND DELIVERY OF LOAN FUNDING FOR
1614 CAMPBELL LLC
CALIFORNIA RECYCLE UNDERUTILIZED SITES REMEDIATION PROGRAM**

November 19, 2008

WHEREAS, the California Pollution Control Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized by the Regulations adopted to implement and make specific the statutory provisions of the California Recycle Underutilized Sites (CALReUSE) Remediation Program;

WHEREAS, the statutory provisions of the CALReUSE Remediation Program authorize grant and loan funding for the purpose of brownfield cleanup that promotes infill residential and mixed-use development, consistent with regional and local land use plans;

WHEREAS, the Authority solicited applications for the CALReUSE Remediation Program and such applications were evaluated and scored pursuant to the Authority’s Regulations;

WHEREAS, 1614 Campbell LLC has submitted an application for the CALReUSE Remediation Program for a loan in the amount of \$338,970 for the Lampwork Lofts Project;

WHEREAS, the Strategic Partner, City of Oakland, has reviewed the application and determined to recommend the Lampwork Lofts Project to the Authority for funding consideration;

WHEREAS, the Authority staff has reviewed the Strategic Partner’s recommendation and has determined to recommend the Lampwork Lofts Project for funding; and

WHEREAS, approval of a loan for 1614 Campbell LLC (“Applicant” and “Borrower”) by the Authority is now sought;

NOW THEREFORE BE IT RESOLVED by the California Pollution Control Financing Authority, as follows:

Section 1. Pursuant to the Regulations, the Authority hereby finds that the Lampwork Lofts Project (the “Project”) is eligible for financing and hereby approves the loan described in the staff summary for the Project described in the Applicant’s CALReUSE Infill Application to the Authority.

Section 2. The Executive Director is hereby authorized for and on behalf of the Authority to take all steps necessary with respect to the Applicant including notifying the Applicant that its Application has been approved for funding, preparing a commitment letter that contains the terms and conditions of funding for the Borrower, preparing and executing the final form of loan agreement and disbursing funds pursuant to the loan agreement and the Authority’s Regulations.

Section 3. The Executive Director is hereby authorized for and on behalf of the Authority to approve any changes in the Project described in Exhibit A of the loan agreement as the Executive Director shall deem appropriate and authorized under the Regulations (provided that the amount of the loan agreement may not be increased above the amount approved by the Authority).

Section 4. The Executive Director is hereby authorized and directed, for and on behalf of the Authority, to draw money from the Proposition 1C (2006) funds allocated to this Program not to exceed those amounts approved by the Authority for the Project approved in Section 1. The Executive Director is further authorized and directed, for and on behalf of the Authority, to execute and deliver for the Project identified in Section 1 any and all documents necessary to complete the transfer of funds. The authority of the Executive Director is limited to payment of claims made by the Borrower in accordance with the Regulations and the loan agreement.

Section 5. Any notice to the Applicant approved hereunder shall indicate that the Authority shall not be liable to the Applicant in any manner whatsoever should such funding not be completed for any reason whatsoever. Notice to the Applicant shall include a provision making it clear that continued funding under the program is not guaranteed but is entirely dependent upon funds being available to the CALReUSE Program and the Borrower's continued compliance with the loan agreement and the regulations governing the CALReUSE Program.

Section 6. The Executive Director of the Authority is hereby authorized and directed, to do any and all things and to execute and deliver any and all documents which they deem necessary or advisable in order to effectuate the purposes of this Resolution and the transactions contemplated hereby, and which have heretofore been approved as to form by the Authority.

EXHIBIT A

TERM SHEET

Name of Project: Lampworks Lofts

Maximum Amount of Grant/Loan: \$338,970

Strategic Partner: City of Oakland

Borrower: 1614 Campbell LLC

Financing Structure: Fixed Rate Loan

Maximum Loan Term: Not to exceed 6 years from first draw on funds

Maximum Interest Rate: 3.53% or lower, but not less than two percent (2%). Six Month London Interbank Offered Rate (LIBOR) shall be fixed at the time of the execution of the Loan Agreement

Oversight Agency: CA Department of Toxic Substance Control And Oakland Fire Department

Project Location: Parcel Number 007-560-001-2
1614 Campbell Street
Oakland, CA 94607

Infill Development Description: Historical rehabilitation of a former 121,000 square foot commercial building and will be an adaptive reuse from industrial use to 92 live-work and residential for-lease units.

Project: Description of Activity	Estimated Cost
Removal of contaminated soil per the DTSC-approved Remedial Action Work Plan	\$ <u>88,970</u>
Removal and disposal of asbestos and lead from structure	<u>250,000</u>
TOTAL ELIGIBLE BROWNFIELD INFILL COSTS	<u>\$338,970</u>

Attachment A

CITY OF OAKLAND



DALZIEL BUILDING • 250 FRANK H. OGAWA PLAZA, SUITE 3315 • OAKLAND, CALIFORNIA 94612-2032

Community and Economic Development Agency
Planning & Zoning Services Division

(510) 238-3941
FAX (510) 238-6538
TDD (510) 238-3254

October 17, 2008

California Pollution Control Financing Authority
CALReUSE Remediation Loan and Grant Program
Office of the Treasurer, State of California
PO Box 942809
Sacramento CA 94209-0001

RE: 1614 Campbell Street LLC Project CALReUSE Remediation Loan Application

To Whom it May Concern,

I am writing to confirm the support of the City of Oakland for the 1614 Campbell LLC project for the conversion of a historical commercial building in a mixed use zone (HBX-1) to 60 market rate work-live condominium units. This project is in an infill neighborhood of West Oakland. The project is in the Housing & Business Mix general plan designation which encourages medium density residential (40 density units/acre), commercial, custom and light industrial uses. The local neighborhood Project Area Committee, WOPAC, has supported this project and is excited to see new market rate units be constructed, to complement the existing supply of affordable units in the neighborhood. The City of Oakland Planning Commission approved the 1614 Campbell LLC project on July 29, 2008. The project will entail the historic renovation and conversion of this building and site, formerly known as the GE Building, and historically known as the Mazda Lamp Works.

If you have any questions in regard to the entitlements at this site, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric Angstadt". The signature is stylized and somewhat cursive.

Eric Angstadt
Interim Deputy Director, Community & Economic Development Agency